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UNCLAS SECTION 01 OF 02 BAKU 000080

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E.O. 12958: N/A

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SUBJECT: EEB/CBA SPECIAL REPRESENTATIVE MERMOUD DISCUSSES
EPC AND CO-FINANCING WITH FINANCE MINISTER SHARIFOV

REF: 07 BAKU 1506

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¶1. (U) This is an action request. Please see paragraph 5.

¶2. (SBU) In a meeting on January 22, Department of State Special Representative for Commercial and Business Affairs Frank Mermoud, the Ambassador and Minister of Finance Samir Sharifov discussed preparations for the second annual Economic Partnership Commission meeting in Washington. Sharifov agreed to the proposed April time period for the EPC, noting however that there are other international organization meetings around the same time that could conflict with different ministries' participation. Mermoud and Ambassador Derse outlined possible EPC agenda items with Sharifov, including the GOAJ's economic reform agenda, trade and investment reforms, legislative reforms, anti-corruption measures and incorporating a private sector dialogue. Sharifov had no problems with holding the EPC over one and a half days and welcomed more participation from the private sector.

¶3. (SBU) Sharifov told Mermoud that he was open to agenda items and looked to the U.S. for advice on which ministries from the GOAJ should be invited. He said that he would like to begin the EPC by reviewing the status of action items included in the 2007 EPC communique. Sharifov said he would raise the lack of results from his meetings with private sector companies during his October visit to Washington. Specifically, Sharifov said he wanted to discuss the lack of progress in purchasing GE turbines with Export-Import bank credits. Mermoud said that he would ask GE for the latest in order to respond to the Minister. (NOTE: Embassy hopes to have an answer from GE for Minister Sharifov well in advance of the April EPC.) Sharifov briefed Mermoud on developments in the domestic energy power sector, including a new power station project in which U.S. company AES is looking to participate.

¶4. (SBU) Mermoud and Sharifov also discussed the status of U.S.-Azerbaijan co-financing efforts. Sharifov said that the U.S. side should arrange a meeting with Deputy Minister of Finance Fatyzadeh who has the lead on the co-financing issue to discuss details. Sharifov said that the GOAJ has no problems with co-financing but needs to complete several

bureaucratic issues before finalizing any framework. (Note: On January 24 the Embassy co-financing group, led by the DCM, met with Fatyazadeh to discuss details on co-financing.) Ambassador Derse told Sharifov that the U.S. would like to sign a memorandum of understanding encompassing all of the co-financing projects including a plan for the next three to five years at the April EPC meeting. Sharifov told the Ambassador that the GOAJ has allocated USD 1.5 million in the 2008 budget for initial co-financing activities.

¶15. (SBU) Sharifov said he would welcome receiving from the USG for GOAJ consideration a draft MOU on co-financing, a draft EPC agenda, a draft EPC joint communique, and details on the proposed EPC program, including a private sector session.

¶16. (SBU) Action Request: In order to spur GOAJ preparations and concrete results at the April EPC, we need to pass to the GOAJ as soon as possible the Washington approved draft EPC agenda for GOAJ comments and feedback (our proposed ideas submitted reftel). Embassy requests that Washington provide soon the proposed EPC agenda so we can forward to the GOAJ for comment; ideally under cover of a letter from A/S Sullivan also offering proposed dates for the meeting and program of activities - including a session with the private sector and a trilateral meeting with Turkey. We feel that delivering the draft agenda will build momentum in the entire GOAJ to begin focusing and preparing for this important bilateral event. In addition, Embassy will prepare a draft 2008 EPC communique for Department and Washington agencies' comments and review (septel) that we also need to pass as soon as possible to the GOAJ to focus efforts on concrete deliverables.

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¶17. (U) EEB/CBA Special Representative Mermoud cleared this cable.
DERSE